

NORTHERN MICHIGAN CHAMBER

ALLIANCE

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PETOSKEY • TRAVERSE CITY • MARQUETTE COUNTY

**Comments of Doug DeYoung
Director, Government Relations
Northern Michigan Chamber Alliance
House Energy & Technology Committee
May 7, 2013**

Good morning. I want to thank you Chairman Nesbitt and members of the committee for your attention to this serious matter and for permitting me to address you this morning.

My name is Doug DeYoung and I am Government Affairs Director for the Northern Michigan Chamber Alliance, a partnership of chambers of commerce for the Alpena area, Benzie County, the Cadillac area, the Charlevoix area, the Gaylord area, the Petoskey region, the Traverse City Area and the Lake Superior Community Partnership of the Upper Peninsula.

Our alliance is built on the premise that many issues facing our member-businesses are regional in nature. We are the voice of 6,500 businesses in Northern Michigan.

It's no surprise that one of the issues of concern to all members is energy. We applaud the committee for joining the Governor in its desire to craft an energy policy for Michigan's future.

While there a number of small and medium sized communities in our area, the Chamber Alliance encompasses a largely rural area where the typical business is a small business.

We have a number of concerns about proposals to increase the participation cap that is currently a part of Michigan's Electric Choice Program.

One of our members' prime concerns is that because we are at the end of the line, so to speak, and comparatively small electricity users, we are fairly certain

that we would be overlooked by energy marketers who are more attracted to large energy users with fairly consistent load profiles. Worse, in our minds we would be left holding the bag for the costs that large electricity users are avoiding by purchasing their power from a non-utility provider.

But our concerns run even deeper.

We are also gravely concerned about electricity supply.

In the Midwest, most electricity is generated by a fleet of aging coal-fired power plants. The same is true in Michigan. Fast-forward to a situation in which Michigan's electricity market has been deregulated and customers can move back and forth among different energy marketers. What happens in 20 or 30 years when the old coal plants are retired, but no new plants have been built in Michigan? Our belief is that investors will not put up the huge sums of money needed to build a new generation of power plants without a high degree of certainty that they'll see a return on their investment.

Would you invest if you weren't certain you'd get your money back?

Are non-utility providers, who are buying power off the regional grid and reselling it, willing to make 30-year investments in power plants? They have no infrastructure.

Our fear is the future will belong to the states that provide certainty to their energy producers. They are going to be ones who build the power plants of the future. They will be the states that prosper. Those that do not provide the necessary certainty will have traded away their future.

Our belief is that short-term gains do not offset long-term costs.

Energy marketers tout a significant discount off the regulated rates of Michigan's utilities.

What they don't say is that over the long term, electricity prices are going to go up. They are going to go up for everyone, even customers who purchase their power from non-utility suppliers. Electricity demand in the Midwest is increasing. Electricity demand in Michigan is recovering from recent recession-driven lows.

The much discussed transition to an electric-car world will only compound the increase in demand.

If demand is increasing and electricity supply declines because many of the coal-fired plants in Michigan and Midwest have been retired, it follows that electricity prices will rise. That's basic economics.

Is Michigan ready for that increase in demand? Will increasing the cap on the Electric Choice Program or completely deregulating Michigan's electric market better prepare us for that increase in demand?

I and the 6,500 member companies of the Northern Michigan Chamber Alliance ask you to carefully consider these questions?

Thank you.

